

Environmental Quality Commission

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ENVIRONMENTAL QUALITY COMMISSION

14 REILLY ROAD
FRANKFORT, KY 40601-1132

PAUL E. PATTON
GOVERNOR

May 27, 2003

The Honorable Paul E. Patton
State Capitol
Frankfort, KY. 40601

Dear Governor Patton:

The Kentucky Environmental Quality Commission would like to express its support for the timely promulgation of state regulations to address oil and gas gathering lines as specified in House Bill 524, as passed by the 2003 General Assembly. EQC also supports a full assessment of oil and gas regulatory programs in the Commonwealth.

The Ky. Department of Mines and Minerals began permitting oil and gas operations in 1960. In 2002, there were 47,412 active oil and gas operations in Kentucky. In 2000, the state produced 2.9 million barrels of oil and 82 billion cubic feet of natural gas. Nearly all natural gas (99 percent) is produced in the eastern part of the state while oil production occurs in 59 counties (49 percent in west Kentucky).

Kentucky has large untapped natural gas and oil reserves. With predictions that another energy crisis may be high, Kentucky may see oil and gas production rates increase. Already the state has seen an increase in natural gas permits in recent years. For example, the number of newly permitted natural gas wells in Kentucky increased 69 percent between 1999 and 2002.

Pollution from oil and gas wells have impacted water quality in five river basins with salty brines and oil and has posed risks to landowners and public health. The EQC *State of Kentucky's Environment* report reveals that in 1999, 1,316 violations were cited at oil and gas wells by Department of Mines and Minerals inspectors and another 65 were cited by Division of Water inspectors. Because the Department of Mines and Minerals has no authority to issue fines it must rely on bond forfeitures as its only means of enforcement. In 1999, some 85 oil and gas bonds were forfeited compared to 100 released. State officials have reported to EQC that bond amounts often do not cover the complete cost of plugging and reclaiming a well site.

In addition, gathering lines, small lines that gather the oil and gas from wellheads and connect to larger trunk lines, are not currently regulated under the existing oil and gas program except as to location when on the same property as the well itself in severed-estate situations. There are miles of gathering lines in Kentucky. Spurred by rising prices, gas companies have drilled into water mains, violated weight limits, cut new roads through private property without permission, filled streams with boulders and caused substantial damage to public roads, according to complaints from Pike and Letcher counties. This damage to public and private lands prompted Letcher County to pursue an ordinance to address gathering line abuses. However, House Bill 524 could be read to preempt local regulation of gathering lines immediately, and will preempt local regulation after state regulations are adopted.

It is critical that the state move forward and promulgate emergency regulations to properly site and permit oil and gas gathering lines. The commission also requests your serious consideration for a full review of the state's existing oil and gas regulatory program to assess its effectiveness and identify needed reforms. We hope that such a review can be completed within the next few months so legislative changes can be pursued if needed in the next session of the legislature.

With the passage of House Bill 524, it now rests with state agencies to assure that oil and gas exploration, construction, production and transmission be conducted in a manner that protects landowners, public safety and the environment while allowing Kentucky to tap its energy resources. Thank you for your consideration of this important matter.

Sincerely,

A handwritten signature in dark ink, reading "Aloma W. Dew". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Aloma Dew, Chair
Environmental Quality Commission

Cc: Ed Ford, Secretary, Governor's Executive Cabinet
Hank List, Secretary, Natural Resources and Environmental Protection Cabinet
Janie Miller, Secretary, Public Protection and Regulation Cabinet
Representative Greg Stumbo
Representative Jim Gooch
Senator Ernie Harris